

Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 TRSE-00 FRB-03 AID-05 CEA-01 CIAE-00

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INFO AMEMBASSY BONN

AMEMBASSY BRUSSELS

USMISSION EC BRUSSELS

AMEMBASSY COPENHAGEN

AMEMBASSY DUBLIN

AMEMBASSY THE HAGUE

AMEMBASSY LONDON

AMEMBASSY LUXEMBOURG

AMEMBASSY PARIS

USMISSION OECD PARIS

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PASS TREASURY AND FRB

E.O. 11652: N/A

TAGS: EFIN, IT

SUBJECT: EC MONETARY COMMITTEE MEETING OF OCTOBER 30

SUMMARY. EC MONETARY COMMITTEE MEETING OF OCTOBER 30 WAS DEVOTED MAINLY TO DISCUSSION OF BUDGET DEFICITS OF SEVERAL MEMBER COUNTRIES AND TO SOME DISCUSSION OF GOLD ASPECTS OF INTERNATIONAL MONETARY REFORM. END SUMMARY.

1. BUDGET DEFICITS: EMBOFF SAW DR. GIOVANNI MAGNIFICO, BANK OF ITALY REP ON EC MONETARY COMMITTEE, FOR DE-BRIEFING ON NOVEMBER

3. MAGNIFICO SAID THAT ENTIRE MORNING SESSION HAD BEEN DEVOTED TO DISCUSSION OF BUDGET DEFICIT SITUATIONS OF FRANCE, GERMANY

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UK, NETHERLANDS, AND LUXEMBOURG. CONSIDERABLE ATTENTION WAS

GIVEN TO GERMAN FISCAL POLICY AND PRESSURE WAS EXERTED TO DIS-
COURAGE GERMANS FROM RESORTING TO FOREIGN BORROWING FOR FINANCING
DOMESTIC BUDGET DEFICIT.

2. EC JOINT BORROWING: MAGNIFICO RE-CONFIRMED THAT EC IS MOVING
FORWARD WITH EXPLORATION OF POSSIBLE EC JOINT BORROWINGS FROM
SAUDIA ARABIA AND KUWAIT ON THE ORDER OF \$700 MILLION. SO FAR
ONLY IRELAND AND ITALY, BUT NOT THE UK, HAVE FORMALLY EXPRESSED
INTEREST IN BENEFITTING FROM SUCH BORROWING.

3. GOLD SUBSTITUTION ACCOUNT: DURING AFTERNOON SESSION
COMMITTEE DISCUSSED POSSIBILITY OF CREATING GOLD SUBSTITUTION
ACCOUNT WITH IMF. THERE AS WIDE OPPOSITION TO THIS IDEA
AND MAGNIFICO DENIED ITS ITALIAN PATERNITY. HE DID ACKNOWLEDGE
THAT ITALY HAS BECOME ASSOCIATED WITH SUBSTITUTION ACCOUNTS
AS A RESULT OF ITS EARLIER PROPOSAL FOR CREATION OF A SUBSTITUTION
ACCOUNT FOR RESERVE CURRENCIES. IN ANY CASE, ITALIANS WERE NOT
TAKING STRONG POSITION IN FAVOR OF IMMEDIATE CREATION OF GOLD
SUBSTITUTION ACCOUNT, BUT THOUGHT THAT INSERTION OF ENABLING
PROVISION IN IMF ARTICLES WOULD BE USEFUL. MAGNIFICO ALSO
REPEATED ITALIAN ARGUMENTS IN FAVOR OF SIMULTANEOUS IMPLEMENTATION
OF GOLD COMPROMISE AS REGARDS RESTITUTION OF IMF
GOLD TO TIS MEMBERS, MARKET SALES OF IMF GOLD IN FAVOR OF LDC'S
AND PURCHASES AND SALES OF GOLD AMONG CENTRAL BANKS.

4. NEXT MEETING. EC MONETARY COMMITTEE WILL MEET ON NOVEMBER 28.

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TAGS: EFIN, IT, EEC
To: STATE
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